

**COMMONWEALTH OF MASSACHUSETTS  
BEFORE THE  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

	)	
Petition of Western	)	D.T.E. 03-82
Massachusetts Electric Company	)	
	)	

**WESTERN MASSACHUSETTS ELECTRIC COMPANY’S PETITION  
FOR APPROVAL FOR THE FINANCING OF PRIOR SPENT NUCLEAR FUEL  
OBLIGATIONS**

**I. INTRODUCTION**

1. Western Massachusetts Electric Company (“WMECO”) hereby petitions the Department of Telecommunications and Energy (“Department”) for approval, under Sections 14 and 17A of Chapter 164 of the General Laws, to issue long-term debt securities in an amount not to exceed \$52 million in principal (“Long-term Debt”), during the period September 1, 2003 through December 31, 2004, for the purpose of refinancing a portion of its outstanding prior spent nuclear fuel (“PSNF”) obligations. WMECO is a subsidiary of Northeast Utilities (“NU”) and an electric company duly organized and existing under the laws of the Commonwealth of Massachusetts. WMECO is subject to the jurisdiction of the Department.

2. WMECO’s PSNF obligations have been incurred in connection with WMECO’s prior partial ownership of the Millstone nuclear generating stations in Waterford, Connecticut (“Millstone”). The PSNF obligations consist of the liability of WMECO to the U.S. Department of Energy (“DOE”) under the Nuclear Waste Policy Act of 1982, to pay for the disposal of spent nuclear fuel and high-level radioactive waste used at Millstone prior to 1983. In March 2001, as a result of the sale by WMECO of its interest in Millstone to a subsidiary of Dominion Resources, Inc.

(“DRI”), DRI assumed WMECO’s PSNF obligations to the DOE and WMECO, in turn, became liable to DRI for such obligations.

3. WMECO also requests that the Department find it to be in the public interest to exempt WMECO from the requirements of G.L. c. 164, §§ 15 and 15A in connection with the issuance of the Long-term Debt for the refinancing of the PSNF obligations.

## **II. BACKGROUND**

1. WMECO’s principal place of business is 174 Brush Hill Avenue, West Springfield, Massachusetts 01089.

2. WMECO currently has issued and outstanding 434,653 shares of its Common Stock with a par value of \$25 per share and no shares of Preferred Stock outstanding.

4. As of June 30, 2003, WMECO had issued and outstanding long-term debt and other long-term obligations in the aggregate principal amount of approximately \$102,282,351 as follows:

- (a) Pollution Control Notes, 5.85% 1993 Series in the aggregate principal amount of \$53,800,000 due in 2028; and
- (b) PSNF obligations of \$48,482,351

5. In addition, WMECO had approximately \$79,400,000 in outstanding short-term debt that WMECO incurred through revolving credit facilities and the system money pool, up to \$54,500,000 of which is scheduled to be refinanced pursuant to the Department’s Order in D.T.E. 02-49.

6. Finally, WMECO has \$137,769,289 in outstanding rate reduction bonds.

7. WMECO now wishes to issue Long-term Debt up to a maximum of \$52,000,000, and use the proceeds thereof to establish and fund a trust account for the purpose of satisfying the PSNF liability in full, and to pay fees and expenses related to the issuance of the Long-term Debt.

### **III. DESCRIPTION OF PROPOSED FINANCING**

1. WMECO proposes to issue and sell up to \$52 million in aggregate principal amount of Long-term Debt with a maturity ranging from 3 to 30 years. The Long-term Debt may be in the form of secured or unsecured notes or bonds, may carry either a fixed or floating interest rate, may be either insured or uninsured, and may be distributed to either retail or institutional investors.

2. WMECO proposes to use the proceeds from the issuance of the Long-term Debt to fund a trust account for the retirement of its PSNF liability, and to pay for issuance costs.

3. WMECO proposes using an amount of the proceeds equal to the then current PSNF liability from the issuance of the Long-term Debt to establish and fund a trust, the purpose of which would be to meet all of WMECO's obligations to DRI for the PSNF obligations.

### **IV. EXEMPTION FROM G.L. C. 164, §§15 AND 15A**

1. WMECO respectfully requests that the Department waive the requirement in G.L. c. 164, §15, which would otherwise require WMECO to invite proposals for the issuance of Long-term Debt by advertisements in certain newspapers specified in that section. It would be in the public interest for the Department to grant such an exemption because there is already competition in the Company's solicitation of various investment bankers with broad experience in the debt markets and access to potential investors. The benefits one would expect from publication and competitive bidding are largely inapplicable in this case and such a process is unlikely to yield a more favorable interest rate or more favorable terms on the debt.

2. WMECO also requests an exemption from the par value requirements of G.L. c. 164, § 15A in connection with the issuance of Long-term Debt. Such an exemption is in the public interest because market conditions may make it difficult for WMECO to price all of its debt at par

value and simultaneously offer an acceptable coupon rate to prospective buyers. In addition, an exemption from the requirements of G.L. c. 164, § 15A is in the public interest because it will enhance WMECO's flexibility in entering the market quickly to take advantage of prevailing interest rates. Such flexibility could benefit WMECO's ratepayers in the form of lower interest rates and a lower cost of capital.

## **V. SEC JURISDICTION**

1. WMECO is subject to the jurisdiction of the Securities and Exchange Commission ("SEC") under the Public Utility Holding Company Act of 1935, as amended (the "1935 Act"), in a number of different areas, including the issuance of certain securities. However, if the Department approves the issuance of the Long-term Debt, such issuance will be exempted from review by the SEC pursuant to Rule 52 under the 1935 Act.

2. A copy of WMECO's annual report to the SEC on Form 10-K for the twelve months ended December 31, 2002, and its quarterly reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003 are filed herewith as Attachment 3.

## **VI. NET PLANT TEST**

WMECO will meet the Department's net plant test in the event the Long-term Debt is issued. As of June 30, 2003, WMECO's net utility plant (utility plant less accumulated depreciation and less construction work in progress) (\$398,514,000) is equal to or in excess of the sum of its outstanding stock (common and preferred) (not including retained earnings) and long-term debt (not including the PSNF obligations) (aggregate of \$134,696,000). The company still meets the test even after including the effects of the yet to be issued \$55 Million of long-term debt authorized in D.T.E. 02-49 (aggregate of \$189,196,000). After giving effect to the issuance of long-term debt to refinance WMECO's PSNF obligations, as proposed in this Petition, WMECO will continue to meet the Department's net plant test as the sum of its outstanding stock and long-term debt will be \$241,196,000.

## **VII. SERVICE**

The name, title, address and telephone number of the attorneys or other persons to whom correspondence or communications in regard to this petition are to be addressed:

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## **VIII. ATTACHMENTS**

Appended to this petition are:

- (1) Testimony of Mr. Randy A. Shoop, Assistant Treasurer – Finance of WMECO;
- (2) Testimony of Mr. Jeffrey R. Cahoon, Director- Revenue Requirements of NU
- (3) Copies of WMECO's 2002 Annual Report on Form 10-K for the year ended December 31, 2002 and its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003 and June 30, 2003;
- (4) Pro Forma Financial Statements as of June 30, 2003, reflecting the issuance of long-term Debt; and
- (5) WMECO's Demonstration that it complies with the Net Plant Test.

As is customary, WMECO will provide the necessary resolutions of the Board of Directors at a later date.

**WHEREFORE**, WMECO requests the Department to determine pursuant to G.L. c. 164, §14 and G.L. c. 164, § 17A:

- (a) That the issue by WMECO of up to \$52 million aggregate principal amount of long-term debt related to PSNF obligations is reasonably necessary to finance WMECO's PSNF obligations;
- (b) That the aggregate principal amount of long-term debt for the purpose of said PSNF refinancing shall not exceed \$52 million;
- (c) That WMECO may issue and sell the long-term debt for the purpose of refinancing the PSNF obligations in one or more separate series, depending upon market conditions at the time, in a total amount not to exceed \$52 million, during the period through December 31, 2004;
- (d) That granting an exemption from the requirement of newspaper advertisement of a public invitation for proposals in G.L. c.164, § 15, is in the public interest and shall be granted with respect to the issue and sale of long-term debt for the purposes of refinancing the PSNF obligations;
- (e) That granting an exemption from the requirement of issuance at par in G.L. c.164, §15A, is in the public interest and shall be granted with respect to the issue and sale of the long-term debt for purposes of refinancing the PSNF obligations;
- (f) That the Department will make such other orders with respect to the proposed issue of the long-term debt for purposes of refinancing the PSNF obligations as it shall deem proper.

Respectfully submitted,

WESTERN MASSACHUSETTS ELECTRIC COMPANY

By \_\_\_\_\_

Leonard Rodriguez, Esq., Senior Counsel  
Northeast Utilities Service Company, for  
Western Massachusetts Electric Company

September 15, 2003